



**Pride. Quality. Integrity. Innovation.**



# Rent & Service Charge Setting Policy

Telephone: 01452 424344  
Website: [www.gch.co.uk](http://www.gch.co.uk)



# Documentation Master Sheet

Amendments to this Document are Detailed Below

Version Number	Date Amended	Comments	Date Approved	Author	Approved By
01	21/07/2010	Created	22/07/2010	LDP	Income Manager
02	17/09/2014	Update	24/09/2014	LDP	Resources Committee
03	24/01/2019	Full review Audited by Mazars with assurance given to Board	21/02/2019	LN	Tenant Panel Audit and Risk Committee
05	15/01/2020	Update following 2020 Rent Standard - reviewed by Capsticks Solicitors llp	23/01/2020	LN	Audit and Risk Committee
06					
07					
08					
09					
10					

## OVERALL AIM

This policy aims to set and maintain rents in accordance with the Regulator of Social Housing's Rent Standard and in line with relevant legislation.

GCH charges appropriate service charges to cover the costs of maintaining and managing its homes and carrying out essential repairs and improvements.

The purpose of this policy is to ensure that staff and customers understand how rent and service charges are set and how any rent and service charge increases are calculated.

## OBJECTIVES

**The specific objectives of this policy are:**

- To provide a legally and regulatory compliant method of calculating rent, which is consistent for all properties subject to permitted variations.
- To ensure that the method of calculation is transparent and easily understood.

**The principles underpinning the policy are:**

- That GCH will ensure that procedures comply with and reflect the legal framework and good practice.
- That Tenant Panel will be consulted on the rent setting process and outcomes in advance of seeking Board approval.
- Communication with Customers will be in plain language and easily understood.
- Staff will be provided with up to date information and training to ensure they are able to carry out the roles expected of them and effectively communicate any changes and the reason for them to customers.

## LEGISLATION, REGULATION AND GUIDANCE

- Landlord and Customer Act 1985, 1987.
- Rent Act 1965 and 1977.
- Housing Finance Act 1972.
- Housing Act 1985, 1988,
- Housing and Building Control Act 1984.
- Housing Association Act 1985.
- Housing and Planning Act 1986.
- Housing Benefit (general) Regulation 1987 (as amended).
- The Rent Acts (Maximum Fair Rent) Order 1999.

- The Assured Tenancies and Agricultural Occupancies (Forms) [amendment] {England} Regulations 2003.
- Welfare Reform and Work Act 2016
- Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016
- Housing and Planning Act 2016
- Capital Funding Guide
- The Regulator of Social Housing's Rent Standard 2020

## DEFINITIONS

**Social rent:** Is based upon a prescribed formula that is detailed within our rent setting procedures. This is capped at LHA for the purposes of affordability that is also inclusive of service charges.

**Affordable rent:** A social rent product charging up to 80% of market rent and is inclusive of service charges. This is capped at LHA for the purposes of affordability

**Intermediate Market Rent:** A non-social rent product charging up to 80% of market rent that include products such as rent to buy,

**Formula rent:** Introduced in 2013, this is the Government policy for rent controls previously referred to as target rent.

**Local Housing Allowance (LHA)** This is the average rents for a specific market area set by Government. This is used by Housing Benefit when calculating rent to be paid to Customers of landlords.

**CPI:** Consumer Price Index.

**RICS:** Royal Institute of Chartered Surveyors.

## SERVICE STANDARDS

- Customers will receive at least one calendar month notice of any increase.
- We will clearly explain in any rent and service charge change letter how we set rents and service charges and why any changes are needed.

## ANNUAL RENT CALCULATION

Following the confirmation of the CPI rate for September, which GCH uses to set the rate for the forthcoming financial period, and consultation with Tenant Panel, a recommendation is made to the GCH Board regarding the rent charge and other charges to be made to Customers in the forthcoming financial year. This determination

is shaped by economic factors (inflation) and external factors set by the Regulator of Social Housing and internal factors decided by the GCH Board.

Type of tenure	Information	Rent Policy 2020/21
General Needs	<p>Rents are set for all Customers using a formula rent system. Any changes to rent levels will be based on guidelines set by the Government for social and affordable rents.</p> <p>Rent Standard 2020:</p> <p>The formula rent of accommodation is to be calculated in accordance with the method set out in paragraph 3.4 to 3.7 of the Rent Standard (and paragraphs 2.4-2.6 of the Rent Policy Statement) with potential upwards tolerance of:</p> <p>(a) if the accommodation is supported housing, 10% of formula rent; or</p> <p>(b) if the accommodation is not supported housing, 5% of formula rent.</p> <p>The tolerance is permissible for new lettings or, provided the tolerance is not increased, where a tolerance is already in use.</p> <p>But as set out in paragraphs 2.8 and 2.9 of the Rent Policy Statement formula rent is subject to the rent cap. The rent cap is determined in accordance with paragraphs 11 and 12 of Appendix A to the Rent Policy Statement.</p>	Max CPI plus 1%
Shared Ownership	<p>For existing pre stock transfer shared owners this will be set at CPI plus 1% and for new shared ownership units the charge will be in line with their agreement/lease</p>	<p>Max CPI + 1% (pre stock transfer)</p> <p>Lease (New Build)</p>

Sheltered Housing	Rents are set for all Customers using a formula rent system. Any changes to rent levels will be based on guidelines set by the Government for social and affordable rents.	Max CPI + 1%
Affordable Rent	These are set at 80% of market rent but capped at LHA using RICS valuation methods. These annual rent changes will become effective from the first Monday in April each year for all Customers.  Rent rebasing to 80% market rent may only take place for new lettings.	Max CPI + 1%
Rent to Buy	These tenancies are Intermediate products, setup as Assured Tenancies and therefore on this basis we apply a maximum annual increase of CPI plus 1%.	Max CPI + 1%
Garages	All garages and parking spaces will be reviewed annually. These are not regulated or subject to any legislative requirements.	Max CPI + 1%

## SERVICE CHARGES

Where relevant we set service charges by taking into account the cost of the service provided, value for money and the provision of the maintenance and/or replacements of equipment used in the supply of the service or the provision of new services. In setting the service charge, we will ensure that we accurately identify the costs of providing all services and that properties are charged only for the service elements they receive together with a reasonable charge for administration.

We will ensure that service charges are reasonable by applying a test of reasonableness as set out in Section 19 (1) (a) of the Landlord and Tenant Act 1985 which states that service charges are payable “*only to the extent that they are reasonably incurred*” and Section 19 (1) (b) of the Landlord and Tenant Act 1985 which states that that a landlord can only charge for services or works that are carried out to a “*reasonable standard* “. We also regularly review relevant case law to ensure that we continue to apply the correct approach.

Service charges are reviewed annually, and Customers will be given at least one calendar months’ notice prior to the implementation of any change to the charge. These annual service charge changes will usually become effective from the first Monday in April each year for all Customers.



## **CONSULTATION**

This policy has been implemented following consultation with Tenant Panel, the Leadership Team and Operational Managers together with appropriate legal advice.

## **REVIEW**

This policy will normally be reviewed triennially to ensure that it remains fit for purpose, unless an earlier review is required due to regulatory, statutory, or other requirements.